



**DEPARTMENT OF
FINANCE**
OFFICE OF THE DIRECTOR

ARNOLD SCHWARZENEGGER, GOVERNOR

STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

MAR 30 2006

Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

**Amendment to Budget Bill Item 2100-001-3036, Support, Department of Alcoholic
Beverage Control**

Licensing and Compliance System—California Alcoholic Beverage Information System (CABIN) (Issue 007)—It is requested that Item 2100-001-3036 be increased by \$635,000 to provide funding for implementing the previously approved Licensing and Compliance System information technology project. These costs were budgeted in the Budget Act of 2005, but the project was delayed because of litigation filed by an unsuccessful bidder. Consequently, this action would have a net zero impact on the fund balance.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Chris Hill, Principal Program Budget Analyst, at (916) 322-2263.

MICHAEL C. GENEST

Director

By:

/s/ Vincent P. Brown

VINCENT P. BROWN
Chief Deputy Director

Attachment

cc: On following page

cc: Honorable Kevin Murray, Chair, Senate Appropriations Committee
Attention: Mr. Bob Franzoia, Staff Director
Honorable Dennis Hollingsworth, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Jeff Bell, Staff Director
Honorable Judy Chu, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Michael Machado, Chair, Senate Budget and Fiscal Review Subcommittee No. 4
Honorable Rudy Bermúdez, Chair, Assembly Budget Subcommittee No. 4
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Mr. David Harper, Deputy Chief of Staff, Assembly Republican Leader's Office
Mr. Jerry Jolly, Director, Department of Alcohol Beverage Control
Mr. Dennis Clear, Deputy Director, Department of Alcoholic Beverage Control
Ms. Karen Brodsky, Budget Officer, Department of Alcoholic Beverage Control

MAR 30 2006

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Senate Budget and Fiscal Review Committee

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Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Item 2120-001-0117, Support, Alcoholic Beverage Control Appeals Board

Retirement Costs (Issue 005)—It is requested that Item 2120-001-0117 be increased by \$34,000 to provide for costs associated with the retirement of the Appeals Board's Chief Counsel in 2006-07. These costs were initially budgeted in the Budget Act of 2005, but were not incurred due to a delay in the Chief Counsel's retirement date. These costs cannot be absorbed due to the small size (9.0 positions) of this organization. Consequently this action would have a net zero impact on the Board's fund balance.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Chris Hill, Principal Program Budget Analyst, at (916) 322-2263.

MICHAEL C. GENEST
Director
By:

/s/ Vincent P. Brown

VINCENT P. BROWN
Chief Deputy Director

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Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Mr. David Harper, Deputy Chief of Staff, Assembly Republican Leader's Office
Mr. Del Haws, Chief Executive Officer, Alcoholic Beverage Control Appeals Board
Ms. Karen Brodsky, Budget Officer, Department of Alcoholic Beverage Control



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Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

**Amendment to Budget Bill Items 2240-001-0001 and 2240-001-0929, Support, and
Addition of Budget Bill Item 2240-107-0929, Local Assistance, Department of Housing
and Community Development**

It is requested that the following changes be made to the items identified below:

Housing Performance System (Issue 504)—Increase Item 2240-001-0929 by \$286,000, and amend Item 2240-001-0001 to reflect this change, to replace an outdated information technology system used to track submittal of housing element data and produce annual reports. Trailer bill language is proposed to allow Housing Rehabilitation Loan Funds to be used for this purpose.

Update Statewide Housing Plan (Issue 505)—Increase Item 2240-001-0929 by \$200,000, and amend Item 2240-001-0001 to reflect this change, to allow the Department of Housing and Community Development to update and publish the Statewide Housing Plan. Trailer bill language is proposed to allow Housing Rehabilitation Loan Funds to be used for this purpose.

Transfer from the Housing Rehabilitation Loan Fund to the General Fund (Issue 507)—Add Item 2240-107-0929 to transfer \$7.514 million from the Housing Rehabilitation Loan Fund to the General Fund. Budget Item 2240-107-0001, Budget Act of 2000, transferred \$25.0 million to the Housing Rehabilitation Loan Fund for purposes of providing local assistance for the Downtown Rebound Project. However, there have not been sufficient applications for this program to utilize the remaining funds and \$7.514 million is available for transfer back to the General Fund.

Trailer Bill to Redirect Proposition 46 Housing Bond Funds to Transit-Oriented Housing (Issue 501)—Propose trailer bill language to provide \$15.0 million in unused Proposition 46 funds originally set aside for the purpose of funding student housing be reallocated to the Transit-Oriented Housing Component of the Downtown Rebound Program. Proposition 46 set aside \$15.0 million for student housing through the Multifamily Housing Development Program, but provided that funds would be available to the Adaptive Reuse Component of the Downtown Rebound Program if the student housing funds remained available after 24 months. However, demand for funding for the adaptive reuse component is low and it is likely that redirected funds would go unused for an extended period of time. Since Proposition 46 authorizes legislative adjustments for programmatic effectiveness or efficiency, trailer bill language is proposed to redirect the \$15.0 million to the Transit-Oriented Housing Component of the Downtown Rebound Program. (See Attachment 1)

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Kathryn Amann, Principal Program Budget Analyst, at (916) 322-2263.

MICHAEL C. GENEST

Director

By:

/s/ Vincent P. Brown

VINCENT P. BROWN

Chief Deputy Director

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Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Mr. David Harper, Deputy Chief of Staff, Assembly Republican Leader's Office
Ms. Lynn Jacobs, Director, Department of Housing and Community Development
Ms. Judy Nevis, Chief Deputy Director, Department of Housing and Community Development
Mr. Elliott Mandell, Deputy Director of Administration, Department of Housing and Community Development

Proposed Trailer Bill Language

The Legislature finds and declares:

1. The Housing and Emergency Shelter Trust Fund Act of 2002 provided \$15 million of funds through Proposition 46 for the purpose of funding student housing, as specifically described, through the Multifamily Housing Program.

2. Pursuant to the Act, any funds not used for student housing within 24 months of availability are to be awarded pursuant to the Downtown Rebound Program for loans to project sponsors for the adaptive reuse of vacant or underused commercial or industrial structures into rental housing located within an elementary school attendance boundary where 50 percent or more of the students are eligible for free meals under the federal school lunch program to be occupied by households having an income not exceeding 150% of area median income, pursuant to paragraph (1) of subdivision (c) of Health and Safety Code Section 50898.2 (hereinafter the "DRP Adaptive Reuse Program").

3. There are now student housing funds remaining after 24 months of availability. However, demand for funds under the DRP Adaptive Reuse Program has proven to be lower than originally anticipated. Therefore, there is a likelihood that any unused student housing funds made available to the DRP Adaptive Reuse Program may remain unused for an extended period of time.

4. In passing the Housing and Emergency Shelter Trust Fund Act of 2002 the voters expressly reserved to the Legislature the authority to make program revisions where necessary for the effectiveness or efficiency in meeting the purposes of the various programs.

Now, therefore, the Legislature determines that a more efficient and effective use of unused student housing funds would be to make these funds available to transit oriented Downtown Rebound Program rental housing projects as described in paragraph (3) of subdivision (a) of Health and Safety Code Section 50898.1, for which there is a higher demand for funds.

Health and Safety Code Section 50898.2

(a) Funds awarded pursuant to Item 2240-107-0001 of Section 2.00 of the Budget Act of 2000 for the purposes of the Downtown Rebound Program established pursuant to this chapter shall not be subject to the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Title 2 of the Government Code.

(b) The department may use up to 5 percent of the amounts appropriated for this program for administration.

(c) With respect to the appropriation in Item 2240-107-0001 of Section 2.00 of the Budget Act of 2000 for the Downtown Rebound Program established pursuant to this chapter, the following provisions shall apply:

(1) Seventy-six percent of that appropriation shall be used by the department for the purpose of making loans to project sponsors for the adaptive reuse of vacant or underused commercial or industrial structures into residential rental housing units for initial rental to households having an income not exceeding 150 percent of the area median income. Each project shall be located within an elementary school attendance boundary where 50 percent or more of the students are eligible for free meals under the federal school lunch program, as determined by the local school district at the time of application to the Downtown Rebound Program. Each project shall also be subject to the following restrictions:

(A) Loans for units not subject to subparagraph (D) shall be at 5 percent simple interest. Loans for units subject to subparagraph (D) shall be at 3 percent simple interest. All principal and interest shall be due and payable in 20 years.

(B) Assistance for units not subject to subparagraph (D) shall not exceed thirty-five thousand dollars (\$35,000) per unit. Assistance for units subject to subparagraph (D) shall not exceed fifty-five thousand dollars (\$55,000) per unit.

(C) The amount of the loan, in combination with all debt recorded in a senior position to the loan, shall not exceed 90 percent of the appraised after-rehabilitation value of the security for the loan.

(D) Twenty percent of the units in the project shall be reserved for households having an income equal to 50 percent or less of the area median income, or 40 percent of the units shall be reserved for households having an income equal to 60 percent or less of the area median income. The department shall ensure the continued affordability of all units designated by the sponsor to fulfill these requirements for a period of 20 years. However, notwithstanding subparagraph (A), if assistance is provided for these units through any program funded through Chapter 6.7 (commencing with Section 50675) of Part 2, the units shall be subject to the use restrictions, limitations, and provisions contained in that chapter. These units shall be reasonably distributed within each building contained in the project, with no less than 10 percent of the units in each building fulfilling the requirements of this subdivision.

(E) The sponsor shall agree to the payment of prevailing wage rates with respect to construction assisted through the program. In implementing this subparagraph, it is the intent of the Legislature that this requirement apply to construction work that is dependent on the commitment of program funds in order for construction to proceed. Notwithstanding any other provision of law, the department's enforcement responsibilities shall be limited to the imposition of this requirement through the lending documents. The department shall require, as a condition of loan closing, a signed certificate that prevailing wages have been, or will be, paid in conformance with the requirements of Chapter 1 (commencing with Section 1720) of Part 7 of the Labor Code and that labor records shall be made available to any enforcement agency upon request.

(F) Notwithstanding any other provision of law, disencumbered or returned loan funds originally appropriated by Item 2240-107-0001 of Section 2.00 of the Budget Act of 2000 shall be available to the department, upon appropriation, for the following:

(i) The development of a system for tracking and reporting on housing element performance required by Government Code Section 65400 with respect to compliance with the requirements of Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7 of the Government Code.

(ii) Preparation of the next update of the California Statewide Housing Plan required by section 50452.

(2) Two million four hundred thousand dollars (\$2,400,000) of that appropriation shall be used by the department for planning grants as specified in subdivision (b) of Section 50898.1.

(3) The balance of that appropriation shall be available for uses authorized by subdivision (a) of Section 50898.1.

Health and Safety Code Section 53533

(a) Money deposited in the fund from the sale of bonds pursuant to this part shall be allocated for expenditure in accordance with the following schedule:

(1) Nine hundred ten million dollars (\$910,000,000) shall be transferred to the Housing Rehabilitation Loan Fund to be expended for the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2, except for the following:

(A) Fifty million dollars (\$50,000,000) shall be transferred to the Preservation Opportunity Fund and, notwithstanding Section 13340 of the Government Code, is continuously appropriated without regard to fiscal years for the preservation of at-risk housing pursuant to Chapter 5 (commencing with Section 50600) of Part 2.

(B) Twenty million dollars (\$20,000,000) shall be used for nonresidential space for supportive services, including, but not limited to, job training, health services, and child care within, or immediately proximate to, projects to be funded under the Multifamily Housing Program. This funding shall be in addition to any applicable per -unit or project loan limits and may be in the form of a grant. Service providers shall ensure that services are available to project residents on a priority basis over the general public.

(C) Twenty-five million dollars (\$25,000,000) shall be used for matching grants to local housing trust funds pursuant to Section 50843.

(D) Fifteen million dollars (\$15,000,000) shall be used for student housing through the Multifamily Housing Program, subject to the following provisions:

(i) The department shall give first priority for projects on land owned by a University of California or California State University campus. Second priority shall be given to projects located within one mile of a University of California or California State University campus that is suffering from a severe shortage of housing and limited availability of developable land as determined by the department. Those determinations shall be set forth in the Notice of Funding Availability and shall not be subject to the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Title 2 of the Government Code.

(ii) All funds shall be matched on a one-to-one basis from private sources or by the University of California or California State University. For the purposes of this subparagraph, "University of California" includes the Hastings College of the Law.

(iii) Occupancy for the units shall be restricted to students enrolled on a full-time basis in the University of California or California State University.

(iv) Income eligibility pursuant to the Multifamily Housing Program shall be established by verification of the combined income of the student and his or her family.

(v) Any funds not used for this purpose within 24 months of the date that the funds are made available shall be awarded pursuant to paragraph (3) of subdivision (a) of Section 50898.1 for the Downtown Rebound Program ~~as set forth in paragraph (1) of subdivision (c) of Section 50898.2.~~



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Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Item 2310-001-0400, Support, Office of Real Estate Appraisers

Attorney Costs—It is requested that Item 2310-001-0400 be decreased by \$259,000 to align budgeted resources for attorney costs with expenditures. This would correct a previous miscalculation in the amount needed for payments to the Attorney General. The Office of Real Estate Appraisers ensures the competency and integrity of real estate appraisers through a program of licensure and enforcement, and requires attorney services to carry out its enforcement functions.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Kathryn Amann, Principal Program Budget Analyst, at (916) 322-2263.

MICHAEL C. GENEST
Director
By:

/s/ Vincent P. Brown

VINCENT P. BROWN
Chief Deputy Director

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Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Michael Machado, Chair, Senate Budget and Fiscal Review Subcommittee No. 4
Honorable Rudy Bermúdez, Chair, Assembly Budget Subcommittee No. 4
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Mr. David Harper, Deputy Chief of Staff, Assembly Republican Leader's Office
Mr. Tony Majewski, Director of Administration, Office of Real Estate Appraisers
Ms. Diane Westphal, Budget Officer, Department of Real Estate



MAR 30 2006

Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to and Addition of Various Budget Bill Items, Support, Local Assistance, and Capital Outlay, Department of Transportation and California Highway Patrol

It is requested that the following changes be made to the items identified below:

Safe, Accountable, Flexible, and Efficient Transportation Equity Act-Legacy for Users (SAFTEA-LU) Mass Transportation (Issue 201)—Increase Item 2660-001-0890 by \$442,000 and Item 2660-001-0042 be amended to reflect the change to fund 5.0 three-year limited-term positions for the administration of two new federal grant programs funded by the reauthorization of federal transportation funding. The two new grant programs, Job Access/Reverse Commute and New Freedom are intended to increase the mobility of certain specified disadvantaged populations, specifically those on welfare or with low-incomes, and the disabled. California is expected to receive approximately \$128,500,000 through 2009 through these two programs. The Metropolitan Planning Organizations (MPOs) will administer \$99.8 million for the large urbanized areas within the state, and Caltrans will administer \$28.7 million for the small urbanized and rural areas.

SAFTEA-LU—Local Assistance Support (Issue 202)—Increase the budget for the Department of Transportation (Caltrans) by \$3,157,000 and 33.0 local assistance support positions to administer federal grant programs. Of this amount, \$2,743,000 and 28.0 three-year limited-term positions are for the administration of 283 new local assistance projects each year, the coordination of the Local Assistance Highway Safety Improvement Program, the coordination of the Safe Routes to School Program, and a National Environmental Policy Act delegation pilot project. The remaining \$414,000 and 5.0 one-year limited-term positions are to complete the backlog in closing out federal invoice vouchers, in order to accelerate the receipt of final federal payments. The requested adjustment requires changes to the following items:

- Increase Item 2660-001-0042 by \$2,045,000.
- Increase Item 2660-001-0890 by \$135,000.
- Increase Reimbursements by \$977,000.

SAFTEA-LU—Traffic Operations (Issue 203)—Increase Item 2660-001-0042 by \$231,000 and 2.0 three-year limited-term positions needed for the development and implementation of a federally required State Strategic Highway Safety Plan (Plan). Whereas currently each state or local agency allocates resources autonomously, the Plan would increase the coordination of safety-related spending, based upon a set of strategies and countermeasures, to be guided by agreed upon criteria and performance-based measures. Federal funding of up to \$90.0 million will be available for funding specified transportation safety projects, provided that the Plan is developed and implemented according to federal timelines and guidelines.

Project Resourcing Schedule Management System (Issue 204)—Increase Item 2660-001-0042 by \$4,515,000 and add language to language only Item 2660-492 reappropriating the remaining balance of the \$7,057,000 necessary to complete the Project Resourcing Schedule Management System. This project would allow improved reporting and scheduling of transportation projects, and is also intended to allow Caltrans to meet statutory project reporting requirements. This project was delayed due the need to rescope the project to better fit the available resources. As originally scoped, the project was expected to cost \$10.0 million more than was approved. Subsequent to rescoping it was necessary to resubmit the value analysis, the market analysis, and the Requests for Binding Proposals prior to rebidding. The item being proposed would read as follows:

0042—State Highway Account, State Transportation Fund

(1) Item 2660-001-0042, Budget Act of 2001 (Ch. 106, Stats. 2001), as reappropriated by 2660-492, Budget Act of 2002 (Ch. 379, Stats. 2002), Budget Act of 2003 (Ch. 157, Stats. 2003), and the Budget Act of 2005 (Ch. 38, Stats. 2005) 20.10—Highway Transportation—Capital Outlay Support, up to \$7,057,000 shall be available for the Project Resourcing and Schedule Management System.

Implementation of Short Term Congestion Relief Projects (Issue 206)—Increase the budget for Caltrans by \$40,333,000 and 9.0 positions to complete a number of projects intended to provide short-term congestion relief in selected locations on the state highway system. These projects will be completed in 18 months or less and include the development and implementation of corridor management on the I-210 corridor, the repair of loop detectors and detector communication stations, and an expansion of freeway service patrol routes. Funding for the freeway service patrol includes \$800,000 for oversight by the California Highway Patrol (CHP), and is also included in this letter as a conforming issue to increase the CHP's reimbursement authority in CHP Issue 501. The requested adjustment requires changes to the following items:

- Increase Item 2660-001-0042 by \$34,933,000.
- Increase Item 2660-101-0042 by \$5,400,000.

CHP Additional Reimbursement Authority for Caltrans' Freeway Service Patrol Program (Issue 501)—Increase reimbursements in Item 2720-001-0044 by \$800,000 to reflect increased oversight and supervision costs as a result of Caltrans' request to expand the Freeway Service Patrol (FSP) Program. This is a conforming issue to Caltrans' proposed program increase in Item 2660-001-0042, Issue 206. The FSP Program is a traffic congestion relief strategy that removes disabled vehicles from the freeway to provide smoother traffic flow and increased safety for motorists. The CHP utilizes overtime hours for various law enforcement duties such as investigation of tow truck driver-related complaints, ensuring that tow truck drivers are patrolling their assigned beats, inspecting and dispatching tow trucks, and providing continuous training, testing, certification and supervision of drivers.

Corridor Mobility Management Program (Issue 207)—Increase Item 2660-001-0042 by \$5.0 million to fund the further development and implementation of Caltrans' Corridor Mobility Management Program (CMMP). CMMPs are expected to help Caltrans and other local transportation authorities strategically identify the most effective congestion relief projects to fund in order to improve travel performance along entire corridors.

Technical Corrections (Issue 209)—Increase Caltrans' Budget by a net of \$406,000 to provide for the following technical fixes to the Governor's Budget:

- Move \$4,766,000 in authority from various programs to the Administration Program in Item 2660-001-0042. The 2006-07 Governor's Budget proposed eliminating the Equipment Service Fund and instead funding the Equipment Program out of the State Highway Account as a distributed program. This proposal inadvertently omitted the \$4,766,000 in Program 50-Administration costs that were funded out of the Equipment Service Fund through current year. This authority should instead have been moved back to the Administration Program, which is not distributed, instead of the Equipment Program, which is distributed. This technical issue would remove an equal amount of authority from the various user programs move it to the Administration Program. This correction would result in no net change to Caltrans' budget.
- Decrease Item 2660-001-0042 by \$577,000. In the 2005-06 Budget Act, Caltrans received a permanent augmentation of \$577,000 and 4.0 positions for statewide deployment of the Performance Measurement System (PeMS), a system utilizing real-time traffic and roadway data. When building the 2006-07 Governor's Budget, these dollars and positions were mistakenly added in again. This correction would remove this double-counting.
- Decrease Item 2660-001-0042 by \$73,000 to align budget authority with the approved project costs in the final Integrated Financial Management System (IFMS) feasibility study report. The Governor's Budget includes a proposal to implement the findings of Caltrans' Information Technology (IT) integration study by providing for the implementation of the IFMS to replace approximately 60 existing IT systems and serve as the base for other IT modules. However, the authority built into the Governor's Budget was \$73,000 more than the amount approved in the final feasibility study report. This proposal would reduce the level of IFMS funding to the appropriate level.
- Decrease Item 2660-001-0042 by \$99,000 to align budget authority with the approved project costs in the final Construction Management System (CMS) feasibility study report. The Governor's Budget provides for an increase of \$950,000 and 3.0 positions for the first year of implement costs associated with the CMS. However, the authority built into the Governor's Budget was \$99,000 more than the amount approved in the final FSR. This proposal would reduce the level of CMS funding to the appropriate level.
- Increase Item 2660-001-0042 by \$1,176,000. The 2005-06 Budget Act provided funding for swing space during the completion of Caltrans' new San Diego (District 11) headquarters building. This funding included a 2006-07 component, but this component was incorrectly reflected in the 2006-07 Governor's Budget, resulting in \$1,176,000 less authority than was approved in the 2005-06 Budget Act. This proposal would correct this error.

- Increase Caltrans' budget by \$1,554,000 by increasing Item 2660-001-0042 by \$797,000 and by increasing Reimbursements by \$757,000. The 2004-05 Budget Act provided \$1,370,000 for moving, startup, and initial operations for the new Los Angeles Traffic Management Center (TMC), including one position for building management activities. This included both one-time and ongoing costs, but the 2006-07 component was incorrectly reflected in the Governor's Budget. This proposal would correct the error in the Governor's Budget.
- Decrease Item 2660-007-0042 by \$1,575,000. The 2005-06 Budget Act included one-time funding for Storm Water Management costs, but an insufficient amount was removed in the Governor's Budget. This proposal would correct this error.
- Exchange support authority for capital outlay authority to permit Caltrans to fund Statewide Cost Allocation Costs (SWCAP) using State Highway Account funds. Up through 2004-05, Caltrans was able to collect federal reimbursement for indirect costs as though they were being collected on one single project. However, the Federal Highway Administration (FHWA) now requires states to provide a report of each individual project on which federal funds were used before federal funds can be used to pay SWCAP costs. Caltrans is unable to provide this level of data with its current accounting systems. Therefore, we propose using state funds to pay for these costs, and then using federal funds for to pay for capital outlay costs that were previously paid for using state funds. The net change to Caltrans' budget is zero.
 - Increase Item 2660-001-0042 by \$18,678,000.
 - Decrease Item 2660-301-0042 by \$18,678,000.
 - Decrease Item 2660-001-0890 by \$18,678,000.
 - Increase Item 2660-301-0890 by \$18,678,000.

Fleet Insurance Rate Decrease (Issue 210)—Decrease Item 2660-001-0042 by \$1,115,000 and decrease Item 2660-001-0046 by \$1,000 to reflect the lowered assessment for fleet insurance costs negotiated by the Department of General Services. The insurance assessment for Caltrans is \$6,987,000 which is \$1,116,000 lower than the \$8,103,000 for insurance proposed in the 2006-07 Governor's Budget.

Tribal Gaming Revenue (Issue 250)—Move \$849.0 million of the \$1.0 billion in tribal gaming expenditure authority from 2005-06 to 2006-07 as follows, to reflect the delay in receiving these revenues caused by ongoing law suites:

Assuming Tribal Gaming Cash is Used According to Current Law		
Authority	2005-06	2006-07
2660-302-0042	\$ (314,000)	\$ 314,000
2660-302-0046	\$ (122,500)	\$ 122,500
G.C. 14556.5	\$ (208,000)	\$ 208,000
G.C. 14556.5	\$ (82,000)	\$ 82,000
G.C. 14556.5	\$ (122,500)	\$ 122,500
Total	\$ (849,000)	\$ 849,000

By the end of 2005-06 we anticipate that state will have received \$151.0 million in revenues from tribal gaming compacts. We propose using these funds as provided for in statute to repay the Traffic Congestion Relief Fund and the State Highway Account for previous loans made to the General Fund.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Mark Monroe, Principal Program Budget Analyst, at (916) 322-2263.

MICHAEL C. GENEST

Director

By:

/s/ Vincent P. Brown

VINCENT P. BROWN

Chief Deputy Director

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Mr. Craig Cornett, Assembly Speaker's Office (2)
Mr. David Harper, Deputy Chief of Staff, Assembly Republican Leader's Office
Honorable Sunne Wright McPeak, Secretary, Business, Transportation and Housing
Agency
Mr. Will Kempton, Director, Department of Transportation
Mr. Randall Iwasaki, Chief Deputy, Department of Transportation
Ms. Norma Ortega, Budget Officer, Department of Transportation



DEPARTMENT OF
FINANCE
OFFICE OF THE DIRECTOR

ARNOLD SCHWARZENEGGER, GOVERNOR

STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

MAR 30 2006

Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

**Amendment to Budget Bill Items 2720-001-0042, 2720-001-0044, and 2720-001-0293,
Support, California Highway Patrol**

California Highway Patrol (CHP) Vehicle Insurance Assessment Decrease (Issue 500)—It is requested that Items 2720-001-0042, 2720-001-0044, and 2720-001-0293 be decreased by \$46,000, \$1,134,000, and \$1,000, respectively, for a total of \$1,181,000 to reflect the revised self-insurance assessment for CHP vehicles. The Department of General Services' Office of Risk and Insurance Management manages the State Motor Vehicle Insurance Account and collects assessments from each state agency based on that particular agency's claim experience over the past five calendar years. The Department of General Services has revised the estimate for CHP vehicle liability and damage costs from the \$6.2 million reflected in the Governor's Budget to \$5.0 million, a reduction of \$1.2 million.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Kathryn Amann, Principal Program Budget Analyst, at (916) 322-2263.

MICHAEL C. GENEST
Director
By:

/s/ Vincent P. Brown

VINCENT P. BROWN
Chief Deputy Director

Attachment

cc: On following page

cc: Honorable Kevin Murray, Chair, Senate Appropriations Committee
Attention: Mr. Bob Franzoia, Staff Director
Honorable Dennis Hollingsworth, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Jeff Bell, Staff Director
Honorable Judy Chu, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Michael Machado, Chair, Senate Budget and Fiscal Review Subcommittee No. 4
Honorable Pedro Nava, Chair, Assembly Budget Subcommittee No. 5
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Mr. David Harper, Deputy Chief of Staff, Assembly Republican Leader's Office
Mr. M. L. Brown, Commissioner, California Highway Patrol
Ms. Terrie Watson, Budget Manager, California Highway Patrol
Mr. Michael Kelley, Principal Fiscal Officer, Business, Transportation and Housing Agency



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**Amendment to Budget Bill Items 2740-001-0042, 2740-001-0044, and 2740-001-0064,
Support, Department of Motor Vehicles**

It is requested that the following changes be made to the items identified below:

Document Imaging and Storage Replacement (Issue 501)—Increase Items 2740-001-0042, 2740-001-0044, and 2740-001-0064 by \$215,000, \$2,210,000, and \$1,596,000, respectively, for a total of \$4,021,000 to provide funding to replace 12 microfilm cameras with five high-speed digital scanners. These scanners will replace obsolete microfilm cameras and will be used to scan approximately 72 million registration and driver license documents per year. The equipment used in the current system has exceeded its useful life and has experienced a 40 percent decrease in production capacity. These scanners will enable the Department of Motor Vehicles (DMV) to capture, store, receive, print, and retrieve images for law enforcement agencies, courts, and other authorized customers. The total estimated cost of this project is \$5.5 million, including \$1.5 million in redirected resources. This equipment will help the DMV comply with Real ID document retention requirements.

Telephone Service Center Equipment Replacement System (Issue 502)—Increase Items 2740-001-0042, 2740-001-0044, and 2740-001-0064 by \$182,000, \$1,876,000, and \$1,354,000, respectively, for a total of \$3,412,000 to provide funding to replace the existing telephony platform in DMV's Telephone Service Centers with a voice over internet protocol platform. This single virtual system will replace the existing nine independent telephony systems which have reached the end of their useful life and cannot grow to meet projected telephone call demand. The new system will enable the DMV to balance the number of calls between call centers and would facilitate the management of call response by allowing the routing of calls by subject matter to operators with appropriate expertise. The total estimated cost of this project is \$19.3 million, including \$7.4 million in redirected resources.

Information Technology Modernization (Issue 503)—Increase Items 2740-001-0042, 2740-001-0044, and 2740-001-0064 by \$114,000, \$1,173,000, and \$848,000, respectively, for a total of \$2,135,000 to provide funding to modernize DMV's aging core systems used to support its Driver License, Occupational License, and Vehicle Registration programs. This project is a multi-year incremental technology upgrade project to modernize DMV's aging, custom-developed core systems with updated alternatives that are broadly supported by the information technology industry. The DMV's current systems have been managed well beyond their expected useful lives, have become increasingly complex and inflexible, and have been stretched to their limits in order to continue to respond to an increasing number of state and federal mandates. This new project will

incrementally upgrade DMV's core systems over a seven-year period by utilizing current programming languages to improve efficiency, reliability, flexibility, effectiveness, and productivity. The total estimated cost of this project is \$242.2 million, including \$2.5 million in redirected resources.

Driver Safety Augmentation (Issue 505)—Increase Item 2740-001-0044 by \$220,000 to provide partial funding for 29.7 positions to address Driver Safety Branch (DSB) workload. DMV proposes to fund the remaining \$1,304,000 in staff costs within existing, redirected resources. The DSB is statutorily mandated to conduct hearings, reexaminations, and administrative reviews of drivers who may pose a danger to public safety because of their physical condition or driving record. This workload is population driven, and has consistently increased over the past several years while DSB staff levels have not. Although some efficiencies were achieved, DSB field offices still required 62,000 hours of overtime and temporary help in 2004-05, and plan to continue to utilize overtime and temporary help in the current year. This request would provide staffing to address 2006-07 projected workload levels.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Kathryn Amann, Principal Program Budget Analyst, at (916) 322-2263.

MICHAEL C. GENEST

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Mr. Craig Cornett, Assembly Speaker's Office (2)
Mr. David Harper, Deputy Chief of Staff, Assembly Republican Leader's Office
Mr. Ken Miyao, Chief Deputy Director, Department of Motor Vehicles
Ms. Jean Shiimoto, Budget Officer, Department of Motor Vehicles
Mr. Michael Kelley, Principal Fiscal Officer, Business, Transportation and Housing Agency